

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

July 11, 2000

IN RE:

**JOINT PETITION OF TEC COMPANIES AND
THE CONSUMER ADVOCATE DIVISION OF
THE ATTORNEY GENERAL FOR THE APPROVAL
AND IMPLEMENTATION OF SETTLEMENT**

)
)
)
)
)
)

DOCKET NO. 99-00702

APPROVAL OF MODIFICATION OF PRIOR ORDER

This matter came before the Tennessee Regulatory Authority at a regularly scheduled Authority Conference held on December 7, 1999 upon a Motion for Modification or Limited Waiver of Prior Order filed by the Telephone Electronics Corporation ("TEC" or the "Company") on September 15, 1999.¹ In its Motion, TEC requested a modification or limited waiver of an Order issued in Docket No. 96-00774 by the Authority on April 1, 1997.² In Docket No. 96-00774, TEC was ordered by the Authority to reduce its revenues by \$4.95 million. A portion of the revenue reduction (approximately \$2.3 million) was to be accomplished by TEC providing credits to customers making intraLATA contiguous county calls. The Order stated that TEC would provide "contiguous county area calling plans at 50% of current rates for the first sixty minutes of intraLATA contiguous county plans until intraLATA bill and keep goes into effect."³ In the settlement, the parties anticipated that the

¹ TEC owns three (3) incumbent local exchange carriers in Tennessee: Crockett Telephone Company, Peoples Telephone Company and West Tennessee Telephone Company (the "TEC Companies").

² In Docket No. 96-00774, the TEC Companies and the Consumer Advocate Division of the Office of the Attorney General sought the Authority's approval and implementation of a settlement between the parties. The parties agreed to reduce TEC's earnings by eliminating certain rates, reducing certain rates, granting one-time and recurring monthly credits and accelerating technology service improvements.

³ Docket No. 96-00774, TRA Order of April 1, 1997, p. 3.

intraLATA bill and keep plan would go into effect in 1998.⁴ The intraLATA bill and keep plan did not go into effect in 1998 and as provided in the settlement, the contiguous county call credit was to remain effective.⁵ TEC continued to provide the call credit and in the Motion filed on September 15, 1999 requested that TEC be allowed to discontinue the call credit to those customers that chose an intraLATA carrier for which TEC did not provide end-user billing services. TEC filed a letter on November 22, 1999, modifying its Motion and proposing instead that TEC continue to provide the fifty percent (50%) credit for customers that select as their intraLATA carrier any carrier for which TEC provides end-user billing services as well as any additional carriers with whom TEC enters into future contractual arrangements to provide such services.

On November 23, 1999, this matter came before the Authority at a regularly scheduled Authority Conference. Counsel for TEC stated that the Company was before the Authority seeking guidance as to how TEC should continue to administer the contiguous county call credit to those customers with intraLATA carriers for which TEC had no billing arrangement. The Directors presented two (2) options as to how TEC could continue providing the call credit to customers choosing an intraLATA carrier not billed by TEC. One option would require TEC to provide a notice to customers with carriers not billed by TEC instructing those customers to remit their bills to TEC and the Company would then manually apply the call credit to the customers' bills. The second option would require TEC to include a line item on customers' bills that notifies the customers of the procedure to receive the call credit.

⁴ The intraLATA bill and keep plan is an agreement between TEC and BellSouth Telecommunications, Inc. where by each company bills its customers and keeps the revenue for calls originating in its service area regardless of where the calls are terminated.

⁵ Docket No. 96-00774, Page 3, Footnote 1. This footnote provides that "If the IntraLATA Bill and Keep Plan does not go into effect in 1998, the Contiguous County area calling plan at 50% of current rates for the first sixty minutes of usage will remain in effect."

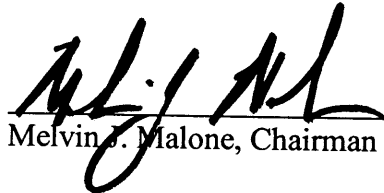
Counsel for TEC expressed concern regarding the expense and administrative burden on the Company to provide manual billing. TEC did not present alternative options other than the requested waiver of the credit. Following discussions with TEC, the Directors voted unanimously to suspend the matter to the December 7, 1999 Authority Conference and allow TEC to confer with the Authority Staff to effect a resolution on how to administer the call credit.

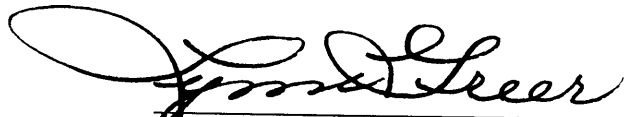
At the regularly scheduled Authority Conference held on December 7, 1999, the Directors considered TEC's proposal to resolve the issues discussed at the previous conference and to continue providing the call credit. TEC will continue to provide the call credit to customers directly billed by TEC. For those customers for whom TEC does not bill, TEC will develop an average revenue per minute rate using historical billing data for the twelve (12) months ended August 31, 1999 and calculate the customer's credit by taking one half (1/2) of the developed rate multiplied by the contiguous county calling minutes of usage (up to sixty minutes) per customer. Further, customers who chose a toll carrier for which TEC does not provide billing services have not received the call credit since September 22, 1999. Therefore, to comply with Docket No. 96-00774 TEC shall calculate and provide the credit to those customers who have not received the credit from September 22, 1999 to now. Additionally, TEC will provide the calculation of the average contiguous county call credit to the Authority for review. The Directors voted unanimously to accept the proposal.⁶

⁶ On December 15, 1999, TEC provided the Authority with its calculation of the contiguous county call credit. TEC's calculation indicated that customers who choose an intraLATA carrier for which TEC does not provide billing services would receive a 5.5 cents per minute credit on contiguous county calls up to sixty minutes. The Authority reviewed TEC's calculated rate and in a letter filed on January 12, 2000 instructed TEC to implement the rate on a going-forward basis. Also, the Authority determined that the 5.5 cents per minute rate should be used as the call credit to those customers who have not received the call credit because they chose an intraLATA toll carrier for which TEC does not directly bill and who have not received the call credit since September 22, 1999.

IT IS THEREFORE ORDERED THAT:


1. TEC should continue to provide the contiguous call credit to customers with intraLATA carriers for which TEC directly bills;
2. TEC shall provide the call credit to those customers for which TEC does not directly bill at the rate of 5.5 cents per minute;
3. TEC shall reimburse the call credit at the rate of 5.5 cents per minute to customers who have not received the credit since September 22, 1999; and
4. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Melvin J. Malone, Chairman


H. Lynn Greer, Jr., Director


Sara Kyle, Director

ATTEST:


K. David Waddell, Executive Secretary